

CITY OF CULVER CITY
City of Culver City, California

Single Audit Report on
Federal Awards

Year ended June 30, 2008

CITY OF CULVER CITY
Single Audit Report on Federal Awards
Year ended June 30, 2008

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City Council
City of Culver City, California

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Culver City, California, as of and for the year ended June 30, 2008, which collectively comprise the City of Culver City's basic financial statements and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Culver City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Culver City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Culver City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Culver City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We noted one matter involving internal control over financial reporting which has been reported as item 08-1 in the accompanying schedule of findings and questioned costs.

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City of Culver City, California
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted other matters involving internal control over financial reporting which we have communicated to management in a separate letter dated December 15, 2008.

The written responses and comments provided by the City have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council and management of the City of Culver City and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McLean P.C.

Irvine, California
December 15, 2008



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City Council
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of the City of Culver City, California, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Culver City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of Culver City's management. Our responsibility is to express an opinion on the City of Culver City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Culver City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Culver City's compliance with those requirements.

In our opinion, the City of Culver City, California complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Culver City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Culver City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Culver City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Culver City as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Culver City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the City Council, management of the City of Culver City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCorn P.C.

Irvine, California
December 15, 2008 (except for the schedule of expenditures of federal awards, as to which the date is March 6, 2009)

CITY OF CULVER CITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal Domestic Assistance Number | Program Identification Number | Program Expenditures |
|---|---|-------------------------------------|-------------------------|
| <u>Corporation for National and Community Service</u> | | | |
| Direct assistance: | | | |
| Retired and Senior Volunteer Program | 94.002 | 06SRPCA014 | \$ 46,452 |
| Subtotal - Corporation for National and Community Service | | | 46,452 |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed through the Los Angeles County Department of Community and Senior Citizens' Services: | | | |
| Nutrition Program for the Elderly | 10.570 | 58247 | 20,819 |
| Subtotal - U.S. Department of Agriculture | | | 20,819 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Passed through the Los Angeles County Department of Community and Senior Citizens' Services - Special Programs for the Aging: | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | 58247 | 906 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | 58247 | 129,618 |
| Subtotal - U.S. Department of Health and Human Services | | | 130,524 |
| <u>U.S. Department of Justice</u> | | | |
| Direct assistance: | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2004BUBX04022255 | 7,202 |
| Subtotal - U.S. Department of Justice | | | 7,202 |
| <u>U.S. Department of Homeland Security</u> | | | |
| Passed through the State of California Office of Emergency Services: | | | |
| Public Assistance and CDAA Grant Program | 97.000 | FEMA DR 1577 | 114 |
| Subtotal - U.S. Department of Homeland Security | | | 114 |

CITY OF CULVER CITY

Schedule of Expenditures of Federal Awards

(Continued)

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal Domestic Assistance Number | Program Identification Number | Program Expenditures |
|---|---|-------------------------------------|-------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| Direct assistance: | | | |
| Urban Mass Transportation Capital and Operating Assistance Formula Grants: | 20.507 | CA-90-Y361-00 | 480,000 * |
| | 20.507 | CA-90-Y255-00 | 1,663,346 * |
| | 20.507 | CA-90-Y189-00 | 670,170 * |
| | 20.507 | CA-90-Y445-00 | 684,809 * |
| | 20.507 | CA-90-Y642-00 | 1,818,265 * |
| | 20.507 | CA-90-Y553-00 | 680,681 * |
| | 20.507 | CA-90-Y079-00 | 48,524 * |
| | 20.507 | CA-90-Y641-00 | 18,735 * |
| Passed through State of California Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | P741 | 97,384 |
| Subtotal - U.S. Department of Transportation | | | <u>6,161,914</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Direct assistance: | | | |
| Section 8 Housing Choice Vouchers | 14.871 | CA110VOOF06 | 1,730,433 |
| Passed through the Community Development Commission of Los Angeles County: | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | D98993-98 | 196,645 |
| | 14.218 | D96183-07 | 26,320 |
| | 14.218 | D96189-07 | 32,821 |
| | 14.218 | 600965-07 | 11,440 |
| | 14.218 | 60055-07 | 41,273 |
| Subtotal - U.S. Department of Housing and Urban Development | | | <u>2,038,932</u> |
| U.S. Department of the Interior | | | |
| Passed through the State of California Department of Parks and Recreation - Land and Water: | | | |
| Outdoor Recreation-Acquisition, Development and Planning | 15.916 | P830 | 106,913 |
| Subtotal - U.S. Department of the Interior | | | <u>106,913</u> |
| Total federal financial assistance | | | <u>\$ 8,512,870</u> |

* - Major program

See accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF CULVER CITY

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the City of Culver City that are reimbursable by agencies providing federal assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipients

During the fiscal year ended June 30, 2008, the City had no subrecipients.

CITY OF CULVER CITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(A) Summary of Auditors' Results

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There was one significant deficiency in internal control over financial reporting documented as item 08-1 in section B below. There were no material weaknesses in internal control over financial reporting based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses in internal control over the major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for its major programs.
6. The audit disclosed no audit findings required by the auditors to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was the U.S. Department Transportation – Urban Mass Transportation Capital and Operating Assistance Formula Grants, CFDA No 20.507.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee met the criteria of OMB Circular A-133 to be classified as a low risk auditee for the year ended June 30, 2008 for the purpose of determining major programs.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(08-1) Purchasing Controls

The Purchasing Officer has the ability to set up new vendors, has the ability to create and approve purchase orders, and approves all invoices initiated by the Purchasing Department. This combination of key accounting duties creates a potential for fictitious vendor fraud.

Recommendation

We recommend that the Chief Financial Officer review all purchases that are both initiated and approved by the Purchasing Officer to ensure that the purchase is reasonable and for appropriate City activities.

CITY OF CULVER CITY
Schedule of Findings and Questioned Costs
(Continued)

Managements Response

All purchases initiated by the Purchasing Officer will be approved by the Chief Financial Officer prior to submittal to Accounts Payable for processing.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

There are no auditor's findings to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

CITY OF CULVER CITY
Summary Schedule of Prior Audit Findings
Year ended June 30, 2008

There were no prior audit findings from previous audit reports requiring follow-up during the year ended June 30, 2007.